

Discussed with

STATINT

[Redacted]  
fully occupied with  
Fecteau case. Don't  
be able to get back to  
Health Ins. until that  
case settles somewhat.  
Suggest re. suspend for  
5 Jan 72.

RHW/ea

15 DEC 1971

20 Jan 72: Per LDP, continue to 1 Mar 72.

DD/S REGISTRY  
FILE *Personnel 1-1*  
DD/S 71-4235

15 NOV 1971

MEMORANDUM FOR: Deputy Director of Personnel  
for Special Programs

THROUGH : Director of Personnel

SUBJECT : Catastrophic Health Insurance

Ben:

The rationale for catastrophic health insurance prepared by you, John Warner, and [ ] is a necessary initial step in what may prove to be a complex and arduous approval process. Therefore, I want the most qualified officer to assume responsibility under your direction for the additional work that is required to work out the details and eventually to guide this through the necessary approval channels.

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Among the problems that must be solved are the parameters of coverage, the political ramifications, and the strategy and tactics to be used with the Congress and the Civil Service Commission.

I would appreciate an early reaction from you assessing the magnitude of the task from your informed position and a rough indication of the time factor necessary to prepare our case for discussion outside the Agency.

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[ ]  
John W. Conley  
Deputy Director  
for Support

cc: Mr. Warner

EO-DD/S:LDP:es (4 Nov 71)

Distribution:

- Orig & 1 - Adse
- 1 - Mr. Warner/OGC
- 1 - DD/S subject w/background
- 1 - DD/S chrono

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2 November 1971


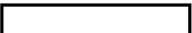


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NOTE FOR: Mr. Coffey via Mr. Wattles

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 left the catastrophic health insurance material with me together with the note quoted below:

STAT "Attached is a rationale for a catastrophic health insurance program which is agreeable to both John Warner and  If you concur in it, I suggest you task Ben as our insurance expert to prepare the paper, to which this rationale would be an attachment, that would spell out the parameters of coverage, the political implications and the next step of Congressional and CSC discussions. Warner could provide an input regarding  profits to pay premiums."

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DRAFT - 3

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RATIONALE FOR CATASTROPHIC  
HEALTH INSURANCE

1. It has long been recognized and accepted that the conditions of employment for CIA personnel are such as to set them apart from other Federal employees. They and the Agency are excluded or exempted from many personnel practices, procedures, and policies applicable to employees elsewhere in the Federal Government. These include the Classification Act, Veterans Preference Act, Civil Service and **OTHER APPEAL** ~~judicial~~ procedures for appeal of adverse personnel actions.

2. One dramatic example of the extent to which employment conditions for CIA personnel are different from that of other Federal employees is the Agency's mandatory retirement policy, which generally limits the career span of employees to age 60. The normal voluntary retirement age under the Civil Service Retirement System is 65; the compulsory age is 70. The Agency's own retirement system, CIARDS, establishes mandatory retirement at age 65 for employees GS-18 or above. Despite these statutory provisions for retirement at ages beyond age 60 the Director found it necessary to require all employees, regardless of the retirement system under which they are covered, to retire at age 60 or as soon thereafter as they became eligible for voluntary retirement. For most employees retirement takes place at age 60. The basis for the Agency's retirement policy is set forth in a retirement rationale attached to a memorandum approved by the Director on 3 May 1968; paragraphs 8 and 12 are pertinent to this Catastrophic Health Insurance rationale:

"8. . . . The effectiveness with which the Agency fulfills its extraordinary responsibilities depends entirely upon the highest possible

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level of effectiveness in staffing the Agency. Consequently, extraordinary action toward attaining and maintaining this goal--such as effecting a retirement policy more stringent than that for the Federal service in general--is warranted."

"12 ~~WAVES~~ In summary, the age 60 retirement policy is a key element of the Agency's efforts to attain excellence in its staffing. Without the policy the entire personnel program of the Agency would be impaired. The most vigorous and productive individuals, finding themselves stymied, will leave the service or will never be persuaded to enter in the first place. By shortening the career span of all employees, service in intelligence will continue to be highly attractive to outstanding young men and women. In the end, our national intelligence objectives will be best served."

Thus, this retirement policy subordinates the wishes of employees, who may want to work beyond age 60, to the best interest of the Agency with the result that for the employee, the shortened span of employment provides less aggregate income over a career period.

3. Employees or dependents requiring extensive treatment and rehabilitation may be denied the use of local, State and Federal facilities. Generally investigations are conducted as to place and type of employment, salary and other factors relating to the condition of the patient as well as ability to pay. There could be a security hazard in revealing such information particularly for those personnel under cover.

4. It is Agency policy that each employee is expected to live within his means and pay his debts. Yet there are tragic medical conditions which necessarily result in huge expenditures far beyond an employee's means. This poses a potential hazard to the security of the Agency and should be alleviated to the extent possible.

5. Employee's social associations and personal travel are subject to Agency approval; their ability to remain employed after marriage to an alien is subject to Agency approval; they <sup>do</sup> cannot acquire Civil Service status; and have no intra-Agency "bumping rights" during a reduction in force. They accept an obligation to serve where required in whatever type of work required. In some instances their inability to fully describe job duties limits their ability to compete for employment opportunities with private institutions. Further, Agency employees have no outside appeal or recourse in the event of separation under the Director's authority in section 102(c) of the National Security Act of 1947. They cannot have their day in court in pursuing claims against the Agency which would require presentation of evidence concerning their duties, associates or activities.

6. We cannot continually restrict generally accepted employees' rights and benefits and demand more restrictive measures in their work environment and personal life without compensating rewards. While it is true that we have adopted some benefits for our employees not granted to most Federal employees, we have not balanced the equation.

7. The work of the Agency must be performed with utmost responsiveness. This requires a general state of mind on the part of all employees that timeliness is critical, accuracy is imperative and absorption with the task at hand takes priority

- over personal distractions. An Agency paid catastrophic health insurance program will not only provide a well deserved benefit to the employees but will in turn provide benefits to the Agency by improved security and by relieving an employee's pre-occupation with his financial burden increase his effectiveness.